

LISTING APPLICATION TO
NEW YORK STOCK EXCHANGE, INC.

B-4290
June 4, 1974

ZAYRE CORP.

100,000 ADDITIONAL SHARES OF COMMON STOCK RESERVED FOR ISSUANCE UNDER 1969 EXECUTIVE INCENTIVE STOCK PURCHASE PLAN

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION

Number of Shares Issued and
Outstanding
as of May 23, 1974:
4,874,817

Approximate Number of Holders
of Common Stock of Record
as of May 23, 1974:
5,050

DESCRIPTION OF TRANSACTION

This application relates to an additional 100,000 shares of Common Stock of Zayre Corp. reserved for issuance pursuant to the 1969 Executive Incentive Stock Purchase Plan (the "1969 Plan") of Zayre Corp. The 1969 Plan as originally adopted authorized the issuance of up to 75,000 shares of Common Stock (See Listing Application No. A-27826).

There is attached hereto and made a part hereof a copy of the Company's Notice of Annual Meeting and Proxy Statement, dated May 6, 1974. Appendix A to said Proxy Statement is a copy of the 1969 Plan, as amended by the Stockholders of the Company on June 4, 1974. The provisions of the 1969 Plan are summarized in the Proxy Statement at pages 11-16.

RECENT DEVELOPMENTS

There have not been any important developments affecting the Company or its business since the latest Annual Report of the Company, notice of which has not been released publicly.

AUTHORITY FOR ISSUANCE

On April 15, 1974, the Board of Directors of the Company adopted amendments to the 1969 Plan, subject to stockholder approval, increasing the authorized number of shares which may be sold under the 1969 Plan from 75,000 to 175,000 shares and increasing the maximum number of shares which may be sold to any employee from 15,000 to 25,000 shares. On June 4, 1974, these amendments were adopted by stockholders at the Annual Meeting.

OPINION OF COUNSEL

Messrs. Ropes & Gray, 225 Franklin Street, Boston, Massachusetts 02110, special counsel for the Company, have given their opinion in support of this application to the effect that (1) the 100,000 shares of Common Stock to which this application relates have been duly and validly authorized and, when issued

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and paid for in accordance with the terms of the 1969 Plan will be validly issued, fully paid and nonassessable; (2) the certificates for the shares referred to in paragraph (1) of this opinion will bear legends referring to the restrictions upon transfer and the obligation under certain conditions to sell such shares to the Company; until replacement certificates have been issued upon lapse of such restrictions as provided in the 1969 Plan, such shares will not be freely transferable and upon issuance of replacement certificates not bearing any such legend, such shares will be freely transferable; (3) no personal liability attaches to the ownership of shares of Common Stock under the present laws of the State of Delaware, the state of incorporation, or under the present laws of the Commonwealth of Massachusetts, the state in which the principal executive offices of the Company are located; (4) registration under the Securities Act of 1933, as amended of the 100,000 shares of Common Stock to which this Listing Application relates is being effected pursuant to a registration statement on Form S-8 which the Company is filing with the Securities and Exchange Commission.

ZAYRE CORP.

GEORGE FREEMAN
Vice President — Staff/Finance

The New York Stock Exchange, Inc. hereby authorizes the listing upon official notice of issuance of 100,000 additional shares of Common Stock pursuant to the 1969 Executive Incentive Stock Purchase Plan of Zayre Corp., as hereinabove set forth, making a total of 6,225,559 shares of Common Stock authorized for listing.

MERLE S. WICK, *Vice President*
Division of Stock List

JAMES J. NEEDHAM, *Chairman of the Board*
New York Stock Exchange Inc.



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JUNE 4, 1974

The Annual Meeting of Stockholders of Zayre Corp. will be held in the Forum Room (5th Floor) of State Street Bank and Trust Company, 225 Franklin Street, Boston, Massachusetts, on Tuesday, June 4, 1974, commencing at 11:00 A.M. Eastern Daylight Time, and thereafter as it may be from time to time adjourned.

At this meeting stockholders will:

1. Vote to fix the number of, and to elect, a Board of Directors, each director to hold office until the next Annual Meeting of Stockholders and until his successor shall be elected and shall qualify;
2. Consider and take action upon a proposal to approve an increase of 100,000 shares in the number of shares of Common Stock available for sale to eligible employees under the 1969 Executive Incentive Stock Purchase Plan and an increase in the maximum number of shares which may be sold to any eligible employee under such Plan; and
3. Transact any other business which may properly be brought before the meeting.

Under the provisions of the By-Laws, the Board of Directors has fixed the close of business on April 16, 1974 as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. If you are unable to attend the meeting in person, kindly sign the enclosed proxy form and mail it promptly in the accompanying addressed and postpaid envelope.

By Order of the Board of Directors

NEWTON A. LANE,
Secretary

Boston, Massachusetts
May 6, 1974

ZAYRE CORP.

PROXY STATEMENT

The form of proxy enclosed with this statement is solicited by the management of Zayre Corp. for use at the Annual Meeting of Stockholders to be held on June 4, 1974. All expenses of this solicitation will be paid by the Company.

If the enclosed form of proxy is properly executed and returned in time to be voted at the meeting, the proxies named therein will vote the shares represented by the proxy in accordance with the instructions marked thereon. Unmarked proxies will be voted for the election as directors of the nominees of management. Any proxy may be revoked any time prior to its exercise.

Stockholders of record at the close of business on April 16, 1974, are entitled to notice of, and to vote at, the meeting. Each share of Common Stock and each share of Series B Cumulative Convertible Preferred Stock outstanding on the record date is entitled to one vote. Holders of Common Stock and Preferred Stock vote together as a single class upon the election of directors and upon each other matter which is, to the knowledge of the management, to be acted upon at the Annual Meeting. As of the close of business on April 16, 1974, there were outstanding and entitled to vote 4,874,817 shares of Common Stock and 57,659 shares of Preferred Stock.

This Proxy Statement and enclosed proxy were mailed to stockholders on or about May 6, 1974.

The Company's Annual Report for the fiscal year ended January 26, 1974, has been mailed to each stockholder entitled to vote at the meeting. The mailing address of the principal executive offices of Zayre Corp. is 770 Cochituate Road, Framingham, Massachusetts 01701.

I. ELECTION OF DIRECTORS

The number of directors constituting the entire Board of Directors is presently fixed at eleven. The nominees of management for election as directors are listed below. All such nominees are now members of the Board of Directors. Mr. Shapiro and Mr. Kronick were recently elected as directors by the Board. Mr. Shapiro is executive vice president of

Wertheim & Co., Inc., investment bankers, and Mr. Kronick is a consultant, having previously been Chairman of the Board and Chief Executive Officer of the Abraham & Straus division of Federated Department Stores, Inc. The directors elected by the stockholders will hold office until the next Annual Meeting of Stockholders and until their successors shall be elected and shall qualify. It is the intention of the persons named in the enclosed form of proxy to vote the shares represented by them to fix the number of directors at eleven and to elect these nominees, but any stockholder who wishes to withhold from such persons authority to vote for directors may do so by marking the proxy where indicated. Directors will be elected by a plurality of the votes cast at the meeting. In the event that any of the nominees should become unavailable, proxies solicited by management will be voted either for substitute nominees designated by management or to fix the number of directors at a lesser number than eleven which will equal the number of nominees available for election. The management has no reason to believe that any nominee will become unavailable. The names of, and certain information with respect to, the persons nominated for election as directors are as follows:

<u>Name</u>	<u>Principal Occupation or Employment (1)</u>	<u>Year First Elected Director</u>	<u>Shares of Common Stock Beneficially Owned as of April 1, 1974 (2)</u>
Max Feldberg	Honorary Chairman of the Board*	1956	112,575(3)
Sumner Feldberg	Chairman of the Board and Treasurer*	1956	142,801(3)
Stanley H. Feldberg .	President*	1956	170,819(3)
Burton S. Stern	Executive Vice President*	1956	16,820(3)
Milton L. Levy	Senior Vice President and Chairman of the Executive Committee*	1956	11,057(3)
N. Preston Breed	Gonsultant — State Street Boston Financial Corporation; retired May 1, 1973 as Senior Vice President of State Street Bank and Trust Company, Boston, Mass.	1972	100

<u>Name</u>	<u>Principal Occupation or Employment(1)</u>	<u>Year First Elected Director</u>	<u>Shares of Common Stock Beneficially Owned as of April 1, 1974(2)</u>
Albert M. Kronick . . .	Management Consultant; from January, 1970 to July, 1973, Chairman of the Board and Chief Executive Officer of the Abraham & Straus division of Federated Department Stores, Inc.; Chairman of the Board and Chief Executive Officer of the Sanger Harris division of Federated Department Stores, Inc., from January, 1967 through December, 1969.	1974	500
Newton A. Lane	Secretary; Partner in the firm of Nathanson & Rudofsky, Boston, Mass., General Counsel.	1962	6,210
Robert F. Shapiro	Executive Vice President and Director of Wertheim & Co., Inc. and partner, Wertheim & Co., since January, 1974; partner and a managing director of Lehman Brothers Incorporated and its predecessor partnership for more than 5 years prior to 1974.	1974	—0—(4)
Walter J. Salmon . . .	Professor, Harvard Graduate School of Business Administration	1966	1,053
Vincent C. Ziegler . . .	Chairman of the Board of Directors and Chief Executive Officer of The Gillette Company	1972	—0—

* Member of the Executive Committee.

(1) The first five named nominees are active in the management of the Company, have been directors of the Company since its organization and were Directors and active in the

management of the Company's predecessor or various affiliated companies that were merged into the Company's predecessor for many years prior thereto.

(2) Based on information supplied to the management as of April 1, 1974, no nominees owned any of the Company's 5¾% Convertible Subordinated Debentures due December 15, 1994, any shares of the Series B Cumulative Convertible Preferred Stock of the Company or any of the outstanding Warrants to Purchase Shares of Common Stock of Zayre Corp.

(3) On the basis of information supplied to the management of the Company, as of April 1, 1974: Messrs. Max, Stanley and Sumner Feldberg, and Milton L. Levy and Burton S. Stern, together with members of their families, owned of record or beneficially an aggregate of 1,653,117 shares of Common Stock, having 33.5% of the voting power of all shares of outstanding capital stock of the Company. Of these shares, Max Feldberg and Sumner Feldberg, as trustees of a charitable trust, owned of record 59,485 shares; the estate of the late Morris Feldberg (the husband of Anna Feldberg and father of Sumner Feldberg, Leona F. Karp, and Shirley F. Levy) owned 35,361 shares; Anna Feldberg, Sumner Feldberg, Leona F. Karp, Shirley F. Levy and members of their families were beneficiaries of a trust which owned 35,000 shares, and in addition Anna Feldberg beneficially owned 8,478 shares; the wife of Max Feldberg beneficially owned 56,892 shares; the wife and children of Stanley H. Feldberg beneficially owned 143,766 shares; the wife and children of Sumner Feldberg beneficially owned 87,732 shares; the wife and children of Milton L. Levy beneficially owned 222,652 shares; the wife and children of Burton S. Stern beneficially owned 308,614 shares; and Leona F. Karp and her husband and children beneficially owned 241,065 shares.

(4) On April 1, 1974, Wertheim & Co., Inc., of which Mr. Shapiro is an officer and director, owned 4,000 shares and Wertheim & Co., a partnership which controls Wertheim & Co., Inc. and of which Mr. Shapiro is a partner, owned 4,395 shares of the Company's Common Stock.

Remuneration

The remuneration paid by the Company during the fiscal year ended January 26, 1974 to each Director whose aggregate direct remuneration exceeded \$40,000 and to each of the

three highest paid officers of the Company whose aggregate direct remuneration exceeded that amount, and to all officers and directors as a group was as follows:

<u>Name of Individual or Identity of Group</u>	<u>Capacities in Which Remuneration Was Received</u>	<u>Aggregate Direct Remuneration</u>	<u>Estimated Annual Benefits on Retirement(1)</u>
Max Feldberg(2)	Honorary Chairman of the Board	\$ 65,000	\$ 32,500
Sumner Feldberg	Chairman of the Board	\$ 100,000	\$ 45,573
Stanley H. Feldberg	President	\$ 100,000	\$ 45,519
Milton L. Levy	Senior Vice President and Chairman of the Execu- tive Committee of the Board	\$ 100,000	\$ 31,941
Burton S. Stern	Executive Vice President	\$ 100,000	\$ 46,980
Morton H. Friedman	Senior Vice President — Apparel Stores	\$ 129,000(3)	\$ —
All directors and officers as a group (37 persons)(4) (5)(6)(7)		\$1,551,273	\$595,231

(1) Estimated benefits upon retirement under the Company's Retirement Plan are computed on the assumption that each officer and director will be employed by the Company at his current annual salary rate until his retirement at the normal retirement age of 65.

(2) Mr. Max Feldberg continues in active employment under a fifteen-year contract entered into in 1962 which provides for an annual direct remuneration of \$65,000 during active employment and for an annual direct remuneration of \$32,500 following retirement from active employment. Upon retirement from active employment Mr. Feldberg will be subject to a non-competition commitment and will be obligated to provide consultation services and to perform such other duties as may be agreed upon between him and the Company. The maximum period of active employment will end in 1977. The contract provides that Mr. Feldberg may terminate active employment at any time and in the event of permanent disability, active employment will terminate automatically. If Mr. Feldberg dies while the contract is in effect, his widow is entitled to receive for the next five years

the annual compensation being paid to him at the time of his death, such payments, however, to terminate on her death. Max Feldberg is not entitled to benefits under the Company's Retirement Plan. The widow of Morris Feldberg is currently receiving payments at an annual rate of \$65,000 under a similar contract, and such payments will continue until September, 1974.

(3) Mr. Friedman's remuneration figure includes approximately \$39,000 accrued pursuant to a bonus based on performance of the Hit or Miss Division.

(4) Mr. Lane receives a salary of \$7,800 per year for services as Secretary of the Company under an agreement which in addition provides him with unfunded retirement benefits equal to \$12,000 for each fiscal year of such service after January 25, 1969. This agreement is in recognition of Mr. Lane's services for the Company and its predecessors since 1946.

(5) Professor Salmon has received approximately \$9,000 for directors' fees and consulting services rendered to the Company during the last fiscal year and it is anticipated that he will receive approximately \$10,000 during the current fiscal year. Mr. Kronick is expected to receive approximately \$26,000 for directors' fees and consulting services to be rendered to the Company during the current fiscal year.

(6) Information in this Proxy Statement for the fiscal year ended January 26, 1974 is not included for any period prior to a person having become an officer.

(7) Aggregate direct remuneration figure includes bonuses to be accrued for Morton H. Friedman and 5 officers not specifically named in the table, based on divisional or regional performance. Such bonuses are not expected to exceed \$80,000 in the aggregate. Aggregate direct remuneration figure does not include stock purchased under the Company's 1969 Executive Incentive Stock Purchase Plan described under Proposal II.

Interest of Management and Others in Certain Transactions

Members of the Feldberg families and officers and directors of the Company own interests in several store sites leased to the Company as set forth below; the rental paid by the Company with respect to these sites for the fiscal year ended January 26, 1974, is indicated parenthetically. The Company believes that the rentals paid for these locations is comparable to rentals which would have been negotiated with independent landlords for similar locations.

(a) *Real Estate Leased for the Operation of Specialty Stores.* Max Feldberg, as agent for officers and employees of the Company and others, owns a 50% interest in one parcel (\$38,000 rental); and FGC Realty Corp. (a corporation all of the stock of which is owned by the children and grandchildren of Morris and Max Feldberg) owned a 50% interest in one parcel (\$19,452 rental).

(b) *Real Estate Leased for the Operation of Zayre Stores.* Max Feldberg and the widow of Morris Feldberg each owns a 5% interest in one parcel (\$129,143 rental); the Feldberg Five Fund (in which Stanley H. Feldberg and Barbara Stern each has a 25% interest and Sumner Feldberg, Shirley Levy and Leona Karp each has a 16 $\frac{2}{3}$ % interest) owns a 13.5% interest in one parcel (\$96,500 rental); Stanley H. Feldberg, Sumner Feldberg, Milton L. Levy, Burton S. Stern and Newton A. Lane each owns a 2.5% interest in one parcel (\$118,901 rental); and Sumner Feldberg and Milton L. Levy each own a 2.5% interest in one parcel (\$96,087 rental).

Beaconway Fabrics, Inc., a wholly-owned subsidiary of the Company, purchases certain of its sewing notions from L. T. Industries, Inc., a wholesale packager, all of the stock of which is owned by the wife and children of Robert L. Feinberg, a Vice President of the Company and President of Beaconway Fabrics, Inc. Beaconway Fabrics, Inc. purchases a portion of its yarn from Beacon Supply Company, a wholesale jobber and converter, all of the stock of which is owned by Robert Feinberg's father. Total purchases during the fiscal year ended January 26, 1974 from L. T. Industries, Inc. and Beacon Supply Company, Inc. amounted to approximately \$1,250,000 and \$1,700,000, respectively. The Company believes that the prices paid for such merchandise are comparable to those which could be obtained from other suppliers of such merchandise.

Morton H. Friedman, Senior Vice President — Apparel Stores, was the founder and principal stockholder of a chain of promotional ladies apparel stores under the name "Hit or Miss" which the Company acquired in September, 1970 for cash, notes and certain contingent payments. Such contingent payments totaled \$3,000,000 in cash and notes, of which \$1,250,000 was based on incremental earnings performance of the Hit or Miss business for the year ended January 30, 1971 and \$1,750,000 was based on such performance for the three years ended January 27, 1973. Mr. Friedman had advised the Company that he had a 90% beneficial interest and members of his family had a 2% beneficial interest in the first contingent payment and that he had a 50% beneficial interest, and members of his family had a 42% beneficial interest in the second contingent payment. Mr. Friedman disclaims any beneficial interest in the portions of such contingent payments beneficially owned by members of his family.

Two of the Company's Hit or Miss stores are leased from a real estate trust in which Morton H. Friedman has a 100% interest; the two leases presently call for rent of \$16,000 and \$19,200 per year, and expire January 30, 1978 and November 30, 1977, respectively. Each lease is renewable at the option of the Company for five additional years at the current rent.

During the past fiscal year, the Company's Shoppers' City stores purchased approximately \$760,000 of milk from Ronco, Inc., a corporation owned by the son of Melvin Roth, Vice President — Shoppers' City. During the past fiscal year Shoppers' City stores paid approximately \$75,000 to Waste Control, Inc. for rubbish removal services and \$35,000 to Refuse Consultants, Inc., for equipment. Such corporations are beneficially owned by Melvin Roth and members of his family. The Company believes the prices paid in such transactions are comparable to those obtainable from other sources.

The firm of Nathanson & Rudofsky, general counsel to the Company, in which Newton A. Lane, a director and Secretary of the Company, is a partner, is expected to receive approximately \$300,000 for legal services rendered to the Company during the past fiscal year.

During the ordinary course of its business, the Company and its subsidiaries make short-term borrowings from and finance certain fixtures and equipment with the State Street Bank and Trust Company, of which N. Preston Breed, a director of the Company, was formerly a Senior Vice President. The short-term borrowings have been made at the bank's prime rate plus average compensating balances equal to 15% of the \$9,000,000 line of credit from the Bank. The Company has an outstanding balance of approximately \$69,000 on an equipment loan with the bank, which bears interest at $\frac{1}{4}\%$ over the bank's prime rate plus average compensating balances equal to 15% of the outstanding balance of the loan.

During the ordinary course of its business, the Company purchases merchandise from The Gillette Company, of which Vincent C. Ziegler, a director of the Company, is Chairman of the Board of Directors.

Key Employees Stock Option Plan

The Company has a Key Employees Stock Option Plan which was adopted by the stockholders of the Company in 1967. No options have been granted under the Plan to any director of the Company or to any officer named specifically in the paragraph captioned "Remuneration" other than Morton H. Friedman, to whom options to purchase 3,750 shares at \$10 $\frac{1}{4}$ per share were granted in June, 1973.

The following tabulation shows as to officers as a group (i) the amount of options granted since January 25, 1969, (ii) the amount of shares acquired since that date through the exercise of options granted since that date or prior thereto, (iii) the amount of shares sold during such period, and (iv) the amount of shares subject to all unexercised options held as of April 1, 1974.

COMMON STOCK(a)

Granted January 25, 1969 to April 1, 1974(b):

Number of Shares	36,175
Average per share option price	\$19.14

Exercised January 25, 1969 to April 1, 1974:

Number of Shares	14,575
Aggregate option price of options exercised	\$311,628
Aggregate market value of shares on date options exercised	\$544,284

Sales January 25, 1969 to April 1, 1974(c):

Number of Shares	14,299
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Unexercised at April 1, 1974(b):

Number of Shares	18,700
Average per share option price	\$15.04

In addition during the period from January 25, 1969 to April 1, 1974 employees other than officers were granted options for 380,899 shares at an average option price per share of \$22.79, including options to purchase 83,556 shares at a price of \$10¼ per share granted in June, 1973 upon the cancellation of options to purchase 111,400 shares at an average price of \$29.62 per share.

(a) All common stock figures (and average per share option prices) have been adjusted in accordance with the terms of the Plans to reflect the 3-for-2 stock split in 1969.

(b) These figures include options granted in June, 1973 to purchase 9,075 shares at \$10¼ per share. Officers to whom such options were granted agreed to the cancellation of outstanding options to purchase 12,100 shares at an average price of \$29.44 per share.

(c) Shares sold by those officers who exercised options during the period January 25, 1969 to April 1, 1974, include shares acquired by such persons by prior exercise of options and shares acquired otherwise than by exercise of options.

Retirement and Bonus Plans

The Company established a non-contributory, funded employee Retirement Plan on January 1, 1966. Generally, employees regularly working for the Company at least 20 hours per week who have completed three years of continuous service and have attained the age of 30 become members of the Retirement Plan. The normal retirement age is 65, but the Retirement Plan contains provisions for earlier or later retirement. Retirement benefits are based upon compensation and years of service, subject to a minimum benefit. The aggregate estimated annual benefits on retirement of those officers and all other employees who have at any time purchased stock under the Company's 1969 Executive Incentive Stock Purchase Plan amounts to approximately \$313,000 and \$40,000, respectively.

During the past five fiscal years, the Company and its subsidiaries have paid or accrued bonuses based on divisional, regional or departmental performances to certain officers and employees. Such bonuses in the aggregate did not exceed \$39,000 for Morton H. Friedman, \$108,000 for all present directors and officers as a group and \$92,000 for all other employees in any one of the past five fiscal years.

II. APPROVAL OF INCREASE IN SHARES SUBJECT TO 1969 EXECUTIVE INCENTIVE STOCK PURCHASE PLAN AND INCREASE IN SHARES WHICH MAY BE SOLD TO ANY ELIGIBLE EMPLOYEE

At the annual meeting held on June 3, 1969 stockholders of the Company approved the 1969 Executive Incentive Stock Purchase Plan ("the 1969 Plan") providing for the sale to officers and other key executive employees of up to 75,000 shares of Common Stock of the Company. The 1969 Plan is intended to furnish additional incentive to key executive employees by encouraging them to acquire a larger stock ownership in the Company. The 1969 Plan provides that the Board of Directors may not, without the approval of stockholders, increase the maximum number of shares which may be sold under the 1969 Plan in the aggregate or to any one employee. On April 15, 1974 the Board of Directors of the Company adopted a resolution, subject to approval by stockholders, increasing the number of shares available for the 1969 Plan by 100,000 additional shares and increasing the maximum number of shares which may be sold to any eligible employee from 15,000 to 25,000. Presently there remain less than 8,000 shares available for sale under the Plan to all eligible employees. The Committee has made no determination as to the number of officers or the number of employees to whom the shares presently available or which would become available under the amendment will be sold, or as to the number of shares to be sold to officers or employees. However, the Board of Directors believes that the increase in shares

available under the 1969 Plan and in the maximum number of shares which could be sold to any particular employee will provide desirable tools in furtherance of the incentive purpose of the 1969 Plan.

The 1969 Plan contemplates that shares of Common Stock will be sold to officers and key employees at a nominal price (not less than the par value of \$1.00 per share), subject to restrictions which require a participant under the Plan to offer to resell such shares to the Company at his purchase price upon termination of employment (otherwise than by death) and which prohibit him from selling the shares unless he first offers to sell them to the Company at his purchase price. From the commencement of the 1969 Plan to April 1, 1974 a total of 40,280 shares were sold to 13 officers and directors of the Company and 35,350 shares were sold to 9 employees, all at \$1.00 per share. During such period, 18,011 shares, having an aggregate market value of \$491,520 on the date of release, were released from the restrictions described above. The Company has repurchased 8,500 shares sold under the 1969 Plan. None of the persons named in the table under the caption "Remuneration" has purchased any shares under the 1969 Plan other than Morton H. Friedman, who has purchased 5,000 shares. All members of the Company's Executive Committee have disclaimed eligibility to participate under the Plan.

The closing sales price of the Company's Common Stock on the New York Stock Exchange on April 30, 1974, was \$5⁵/₈ per share.

DESCRIPTION OF 1969 PLAN

A copy of the 1969 Plan is set forth in Appendix A hereto. The description of the 1969 Plan set forth below does not purport to be complete and is subject in all respects to the provisions of the 1969 Plan.

Administration. The 1969 Plan is administered by an Incentive Plan Committee, appointed by the Board, consisting of at least three Directors who (while they are members of the Committee) will not be eligible as participants under the 1969 Plan. The Incentive Plan Committee has authority in its discretion to offer to sell shares under the 1969 Plan to eligible employees, and has responsibility for the administration of the 1969 Plan. The Board of Directors of the Company has named three Directors of the Company, Messrs. Max Feldberg, Stanley H. Feldberg and Sumner Feldberg, to serve as members of the Incentive Plan Committee. The address of each member is care of the Incentive Plan Committee, Zayre Corp., Framingham, Massachusetts 01701.

Shares Subject to the Plan. The Incentive Plan Committee may sell to eligible employees in the aggregate up to 75,000 shares of Common Stock (175,000 shares if Proposal II is

adopted). If shares sold under the 1969 Plan are repurchased by the Company at the price at which they were sold, such shares will again become available for sale under the 1969 Plan. The number of shares sold to any one employee under the 1969 Plan may not exceed 15,000 shares (25,000 shares if Proposal II is adopted).

Eligibility of Purchasers. Shares of Common Stock will be sold under the 1969 Plan only to persons who are employees of the Company or of a subsidiary of the Company and who have not attained the following age on the date shares are allotted to them: (i) in the event the Committee proposes to make a Ten Year Grant (as hereinafter defined), fifty-five (55) years; (ii) in the event the Committee proposes to make a Five Year Grant (as hereinafter defined), sixty (60) years. The term "employees" includes officers as well as other employees of the Company or of a subsidiary of the Company. Officers of the Company are eligible even if they are employed only on a part-time basis. Neither a member of the Committee (while he is a member) nor any member of the Board of Directors who is not an employee (as above defined) of the Company (or of a subsidiary of the Company) is eligible to purchase stock under the 1969 Plan.

Time Limit on Plan. No shares may be sold under the 1969 Plan after December 31, 1978.

Purchase Price of Stock Sold under the 1969 Plan. The purchase price per share to an employee of shares of Common Stock sold under the 1969 Plan is determined by the Incentive Plan Committee but may in no event be less than the par value thereof (\$1.00 per share). The 1969 Plan contemplates that the Incentive Plan Committee will take into account the value to the Company of services performed and to be performed by the employees participating in the 1969 Plan in fixing the purchase price per share for shares sold to such employees, and accordingly such purchase price may be substantially less than the market value of the Company's Common Stock.

Ten Year and Five Year Grants. The Incentive Plan Committee has discretion to decide whether an employee to whom it decides to sell shares under the 1969 Plan shall have a Ten Year Grant (meaning that the restrictions provided for in the 1969 Plan shall lapse as provided in clause (a) below) or a Five Year Grant (meaning that the restrictions provided for in the 1969 Plan shall lapse as provided in clause (b) below).

Restrictions. Shares of Common Stock purchased by an employee under the 1969 Plan may not be sold, transferred or otherwise disposed of and may not be pledged or otherwise hypothecated except as specifically provided below; in the event of termination of employ-

ment for any reason such shares shall forthwith be resold to the Company at their purchase price, except as set forth below. Shares as to which all restrictions against disposition and the obligation to resell to the Company shall have lapsed as provided in the 1969 Plan are hereinafter called "free shares" and shares as to which neither the restrictions against disposition nor the obligation to resell to the Company shall have lapsed are hereinafter called "restricted shares." All certificates evidencing restricted shares will contain a legend referring to the obligation to resell to the Company and the prohibition on transfers; upon any shares becoming free shares the holder of certificates containing such a legend shall be entitled to certificates not containing any such legend.

(a) In the case of a Ten Year Grant, the obligation not to dispose of restricted shares purchased under the 1969 Plan and the obligation to resell such shares to the Company shall lapse, as to 10% of each allotment of shares purchased by such employee, at the end of one year following the date of allotment of such shares, and as to an additional 10% of each allotment of shares purchased upon each succeeding anniversary of the date of such allotment; upon the lapse of such restrictions, such shares shall become free shares.

(b) In the case of a Five Year Grant, the obligation not to dispose of restricted shares purchased under the 1969 Plan and the obligation to resell such shares to the Company shall lapse, as to 20% of each allotment of shares purchased by such employee, at the end of one year following the date of allotment of such shares, and as to an additional 20% of each allotment of shares purchased upon each succeeding anniversary of the date of such allotment; upon the lapse of such restrictions, such shares shall become free shares.

(c) No employee shall sell, transfer, pledge or otherwise dispose of any restricted shares unless such employee shall first, by notice in writing, offer such restricted shares to the Company for repurchase for the same amount as shall have been paid therefor, with appropriate adjustment for any change in such shares of the nature described under the caption "Changes in Stock" below, and the Company shall not, within 30 days following such offer, have so repurchased the same and made payment in full therefor. The Company shall, if it desires to repurchase such shares, make payment in full therefor within 30 days following such offer.

(d) In the event of termination of employment other than by reason of death, the employee is required to offer to the Company, at the price paid therefor, all restricted shares, and the Company shall have the right to purchase the same at such price, provided that the Company must exercise such right of repurchase and pay the purchase price therefor not later than the 30th day following the date on which the employee's employment was terminated. In the event of the termination of employment by reason of disability or by the em-

ployee with the consent of the Company, the Committee may, in order to avoid imposing undue hardship or severe economic deprivation upon the employee, elect to have the Company not repurchase all or any part of the restricted shares so tendered, and any shares not so repurchased and paid for by the Company within thirty (30) days following such tender shall become free shares.

(e) In the event of the death of an employee the obligation not to dispose of shares under the Plan and the obligation to resell such shares to the Company shall thereupon lapse, and all shares allotted to such deceased employee shall become free shares.

Changes in Stock. In the event that the number of outstanding shares of Common Stock of the Company shall be changed by reason of split-ups, stock dividends, combinations of shares or by recapitalizations, the number of shares which may thereafter be sold under the 1969 Plan both in the aggregate and as to any individual and the prices at which shares shall be resold to the Company may be appropriately adjusted as determined by the Board of Directors so as to reflect such change.

Amendment, Suspension or Termination. The Board of Directors of the Company may at any time terminate or from time to time modify or suspend the 1969 Plan, provided that no such modification, unless approved by shareholders, shall (a) increase the maximum number of shares which may be sold under the 1969 Plan either in the aggregate or to any one person (except as noted above under the caption "Changes in Stock") (b) permit the purchase of any shares unless full payment for such shares is made at the time of purchase as herein contemplated, (c) decrease the minimum price at which shares are to be sold, (d) extend the period during which shares may be sold under the 1969 Plan, or (e) modify the provisions of the Plan with respect to the restriction on sale or disposition and the obligation to resell shares to the Company.

TAX TREATMENT

The Company has been advised by Messrs. Ropes & Gray that, under the Internal Revenue Code of 1954, as amended, and the Regulations of the Treasury Department thereunder, the tax consequences of the purchase of shares under the 1969 Plan will in its opinion be as follows:

Purchases On or Prior to April 30, 1970

Employees purchasing shares under the 1969 Plan on or prior to April 30, 1970 will be deemed to realize ordinary income for Federal income tax purposes in each year of the lapse

of the restrictions referred to under the caption "Restrictions" above equal to the amount, if any, by which the purchase price of the shares as to which the restrictions lapse is exceeded by the lesser of (i) the fair market value of such shares (determined without regard to the existence of the restrictions) on the date the shares are transferred to the employee, or (ii) the fair market value of such shares (similarly determined) on the date the restrictions lapse. The Company or a subsidiary is entitled to a tax deduction in each year of the lapse of the restrictions in an amount equal to the amount of ordinary income realized by the employee. If an employee subsequently sells shares of Common Stock which have become free shares as the result of the lapse of restrictions, he will realize long-term capital gain or loss, determined by taking the net sales proceeds and deducting the "basis" of the employee for such shares. An employee's "basis" will generally be equal to the sum of (a) the purchase price paid for such shares, plus (b) the amount of ordinary income deemed to have been received by the employee upon the lapse of the restrictions with respect to such shares.

Purchases On or Subsequent to May 1, 1970

(i) General.

Employees purchasing shares under the 1969 Plan on or subsequent to May 1, 1970 will be deemed to realize ordinary income for Federal income tax purposes in each year of the lapse of restrictions referred to under the caption "Restrictions" above equal to the amount by which the purchase price is exceeded by the fair market value of the shares (determined without regard to the existence of the restriction) on the date the restrictions lapse (such lapse date being the date the shares are no longer subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Internal Revenue Code, as amended). When restrictions lapse, the Company or a subsidiary is entitled to claim a tax deduction in its fiscal year conforming with the employee's taxable year in an amount equal to the amount of ordinary income realized by the employee. If the employee sells shares of Common Stock which have become free shares as the result of the lapse of the restrictions and such sale occurs more than six months after the restrictions have lapsed, he will realize long-term capital gain or loss, determined by taking the net sales proceeds and deducting the "basis" of the employee for such shares. An employee's "basis" will generally be equal to the sum of (a) the purchase price paid for such shares, plus (b) the amount of ordinary income deemed to have been received by the employee upon the lapse of the restrictions with respect to such shares.

(ii) Election to Include in Gross Income in Year of Purchase.

Employees purchasing shares under the 1969 Plan on or after May 1, 1970 are entitled to exercise an election under Section 83(b) of the Internal Revenue Code which will change

the tax consequences of their purchase. The election is made by filing a prescribed form with the Internal Revenue Service within 30 days after the date the shares are transferred to the electing employee.

If the Section 83(b) election is made, the employee must include in his gross income for the year of purchase an amount of ordinary income equal to the excess of the fair market value of the shares (determined without regard to the existence of the restrictions) on the date the shares are transferred to the electing employee over his purchase price.

ACCOUNTING TREATMENT

The accounting treatment for shares of Common Stock sold under the 1969 Plan will be as follows: as of each date restrictions lapse, 10%, in the case of a Ten Year Grant, or 20%, in the case of a Five Year Grant, of the amount by which the quoted market price per share on the day the shares are sold to the employee, exceeds the amount per share paid by the employee, will be charged against income. Compensation charged will be reduced by the federal and state income tax deduction relating thereto. To the extent that the amount deductible for tax purposes exceeds the compensation charged for financial reporting purposes, income taxes relating to this difference will be credited to additional paid-in-capital. Coopers & Lybrand, independent certified public accountants for the Company, have approved the foregoing accounting treatment.

Recommendation of Management

Management of the Company recommends a vote "FOR" the approval of the increase in the number of shares available for the 1969 Plan. Proxies solicited by management will be voted in accordance with the specification made on the form of proxy. Where no specification is made, proxies will be voted "FOR" the adoption of the proposed increase.

The Board of Directors has determined that the favorable vote of the holders of shares having at least a majority of the voting power of all outstanding shares of capital stock entitled to vote at the meeting will be required for approval of Proposal II.

OTHER MATTERS

The management has no knowledge of any other matters which may come before the meeting and does not, itself, intend to present any such other matter. However, if any such other matters shall properly come before the meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own best judgment.

ZAYRE CORP.

1969 EXECUTIVE INCENTIVE STOCK PURCHASE PLAN

1. *Purposes of Plan.*

The 1969 Executive Incentive Stock Purchase Plan (the "Plan") of Zayre Corp. (the "Company") is intended to provide additional incentives to senior executives of the Company and its subsidiaries who are largely responsible for the management and growth of the business and who are expected to continue making substantial contributions to such growth. Accordingly, the Company may from time to time on or before December 31, 1978, sell to such employees as may be selected, in the manner hereinafter provided, shares of Common Stock of the Company, \$1 par value (the "Common Stock"), on terms and conditions hereinafter established.

2. *Administration of the Plan.*

The Plan shall be administered by the Incentive Plan Committee ("Committee") of the Board of Directors, consisting of at least three directors, which Committee shall be appointed from time to time and serve at the pleasure of the Board of Directors. As provided in Section 5 hereof, no member of the Committee (while he is a member) shall be eligible to purchase Stock under the Plan. A majority of the members of the Committee shall constitute a quorum and the acts of the majority of the members present at any meeting at which a quorum is present and any acts approved in writing by a majority of the members without a meeting shall be the acts of the Committee.

Subject to the express provisions of this Plan, the Committee shall have the authority in its discretion to determine the individuals to participate hereunder; the times when they shall receive the opportunity to purchase shares and the number of shares to be purchased; to construe the Plan, to make all other determinations necessary or advisable for administering the Plan and to prescribe the form, which shall be consistent with the Plan, of the instruments evidencing any sales under the Plan and of the legend to be affixed to the stock certificates representing shares sold under the Plan. The determinations of the Committee on the matters referred to in this paragraph shall be conclusive.

3. *Stock Subject to the Plan.*

The shares to be sold to employees under the Plan shall be made available at the discretion of the Committee either from authorized but unissued shares of Common Stock of the Company or from shares of Common Stock reacquired by the Company, including shares purchased in the open market.

Shares sold to employees under the Plan shall be subject to the terms, conditions and restrictions provided in Section 9 hereof and to such additional terms, conditions and restrictions as the Committee in its discretion may provide. Subject to the provisions of this Section 3, the aggregate number of shares which may be sold under the Plan shall not exceed 75,000 (175,000 if Proposal II is adopted), and the aggregate number of shares which may be sold to any one employee under the Plan shall not exceed 15,000 (25,000 if Proposal II is adopted).

If prior to December 31, 1978 shares sold under the Plan shall be repurchased by the Company pursuant to the provisions of Section 9 hereof at the price at which they were sold, such shares shall again become available for sale under the Plan (unless prior thereto the Plan shall have been terminated by the Board of Directors).

In the event that subsequent to June 3, 1969 (the date this Plan will be submitted to stockholders for approval) the number of outstanding shares of Common Stock of the Company shall be changed by reason of split-ups, stock dividends, combinations of shares or by recapitalizations, the number of shares which may thereafter be sold under the Plan both in the aggregate and as to any individual and the prices at which shares shall be resold to the Corporation may be appropriately adjusted as determined by the Board of Directors so as to reflect such change.

4. *Purchase Price of Stock Sold under the Plan.*

The purchase price per share to an employee of shares of Common Stock sold under the Plan shall be such price as shall be determined by the Committee but in no event less than the par value thereof. The Plan contemplates that the Committee will take into account the value to the Company of services performed and to be performed by the employees participating in the Plan in fixing the purchase price per share for shares sold to such employees, and accordingly such purchase price may be a nominal amount (not less than par value) in relation to the market value of the Company's Common Stock.

5. *Eligibility of Purchasers.*

Shares of Common Stock will be sold under the Plan only to persons who are employees of the Company or of a subsidiary of the Company and who have not attained the following age on the date that shares are allotted to them: (i) in the event the Committee proposes to make a Ten Year Grant (as hereinafter defined), fifty-five (55) years; (ii) in the event the Committee proposes to make a Five Year Grant (as hereinafter defined), sixty (60) years. The term "employees" shall include officers as well as other employees of the Company or of a subsidiary of the Company. Officers of the Company shall be eligible even if they are employed only on a part time basis. Neither a member of the Committee (while he is a member) nor any member of the Board of Directors who is not an employee (as above defined) of the Company (or of a subsidiary of the Company) shall be eligible to purchase stock under the Plan.

It is understood that subject to the provisions of the Plan an employee may be offered the opportunity to purchase shares on more than one occasion and that the purchase of shares hereunder shall not preclude the employee from being eligible to participate in any other plans, programs or benefits available for employees of the Company or its subsidiaries.

Nothing herein contained shall give any employee to whom shares have been sold under this Plan any rights to continued employment with the Company or a subsidiary, nor shall any employee have any right against the Company by reason of any termination of his employment, whether or not such termination shall be for cause, except as expressly provided herein.

6. *Non-Transferability of Right to Purchase Shares.*

No right to purchase shares under the Plan shall be transferable by any employee to whom such right is given.

7. *Exercise of Right to Purchase Shares.*

An employee who is given the right to purchase shares under the Plan may exercise such right during a period of thirty (30) days after he is given such right provided that he is still an employee on the date of such exercise.

In order to exercise his right to purchase shares allotted under the Plan, the employee shall give written notice to the Company of his election to purchase and of the number

of shares he is purchasing. The full cash purchase price of the shares being purchased shall be tendered at the time of such notice. Until the purchaser has made such payment and has had issued to him a certificate or certificates for the shares so purchased, he shall possess no rights as a stockholder with respect to any such shares.

8. *Ten Year and Five Year Grants.*

The Committee shall have discretion to decide whether the employee to whom it decides to sell shares under the Plan shall have a Ten Year Grant (meaning that the restrictions provided for in Section 9 of the Plan shall lapse as provided in clause (a) of Section 9) or a Five Year Grant (meaning that the restrictions provided for in Section 9 of the Plan shall lapse as provided in clause (b) of Section 9). The Committee shall in the written notice to an employee of a grant under this Plan specify whether it is a Ten Year Grant or a Five Year Grant.

9. *Restrictions.*

Shares of Common Stock purchased by an employee under the Plan shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated (any such action being hereinafter referred to as "to dispose of" or "a disposition") except as herein specifically provided; in the event of termination of employment for any reason such shares shall forthwith be resold to the Company at their purchase price, except as set forth below. Shares as to which all restrictions against disposition and the obligation to resell to the Company shall have lapsed as herein provided are hereinafter called "free shares" and shares as to which neither the restrictions against disposition nor the obligation to resell to the Company shall have lapsed are hereinafter called "restricted shares." The certificates evidencing restricted shares shall contain a legend referring to the obligation to resell to the Company and the prohibition on transfers; upon any shares becoming free shares the holder of certificates containing such a legend shall be entitled to certificates not containing any such legend:

(a) In the case of a Ten Year Grant, the obligation not to dispose of restricted shares purchased under the Plan and the obligation to resell such shares to the Company shall lapse, as to 10% of each allotment of shares purchased by such employee, at the end of one (1) year following the date of allotment of such shares, and as to an additional 10% of each allotment of shares purchased upon each succeeding anniversary of the date of such allotment; upon the lapse of such restrictions, such shares shall become free shares.

(b) In the case of a Five Year Grant, the obligation not to dispose of restricted shares purchased under the Plan and the obligation to resell such shares to the Company shall lapse, as to 20% of each allotment of shares purchased by such employee, at the end of one (1) year following the date of allotment of such shares, and as to an additional 20% of each allotment of shares purchased upon each succeeding anniversary of the date of such allotment; upon the lapse of such restrictions, such shares shall become free shares.

(c) None of the restricted shares shall be disposed of unless the same shall first, by notice in writing, have been offered to the Company for repurchase for the same amount as shall have been paid therefor pursuant to Section 4 hereof, with appropriate adjustment for any change in such shares of the nature described in Section 3, and the Company shall not, within 30 days following such offer, have so repurchased the same and made payment in full therefor. The Company shall, if it desires to repurchase such shares, make payment in full therefor within thirty (30) days following such offer.

(d) In the event of termination of employment other than by reason of death, the employee is required to offer to the Company, at the price paid therefor, all restricted shares, and the Company shall have the right to purchase the same at such price, provided that the Company must exercise such right of repurchase and pay the purchase price therefor not later than the 30th day following the date on which the employee's employment was terminated. In the event of the termination of employment by reason of disability or by the employee with the consent of the Company, the Committee may, in order to avoid imposing undue hardship or severe economic deprivation upon the employee or his estate, elect to have the Company not repurchase all or any part of the restricted shares so tendered, and any shares not so repurchased and paid for by the Company within thirty (30) days following such tender shall become free shares.

(e) In the event of the death of an employee the obligation not to dispose of shares under the Plan and the obligation to resell such shares to the Company shall thereupon lapse, and all shares allotted to such deceased employee shall become free shares.

10. *Amendments to Plan.*

The Board of Directors of the Company may at any time terminate or from time to time modify or suspend the Plan, provided that no such modification, unless approved by shareholders, shall (a) increase the maximum number of shares which may be sold under the

Plan either in the aggregate or to any one person (except as permitted by the anti-dilution provisions contained in Section 3), (b) permit the purchase of any shares unless full payment for such shares is made at the time of purchase as herein contemplated, (c) decrease the minimum price at which shares are to be sold as set forth in section 4, (d) extend the period during which shares may be sold under the Plan, or (e) modify the provisions of section 9 of the Plan with respect to the restriction on sale or disposition and the obligation to resell shares to the Company.

11. *Registration.*

In order to comply with the Securities Act of 1933, as amended, the Company may require that the employee purchasing shares agree with and represent to the Company that he is acquiring such shares for the purpose of investment and with no present intention to transfer or otherwise dispose of such shares. Such shares shall thereafter be transferable only if in the opinion of counsel to the Company such transfer shall at such time be in compliance with applicable securities laws. In the event the Company elects in its discretion to register the shares purchased under the Plan pursuant to the Securities Act of 1933, as amended, the Company may require that the employee purchasing shares agree with the Company to make no sales of shares of Common Stock otherwise than in transactions effected on a national securities exchange.

12. *Effectiveness of Plan.*

This Plan shall be submitted for the approval of the stockholders of the Company at the next annual meeting to be held on June 3, 1969, and only if approved by the vote of the holders of shares of capital stock of the Company having at least a majority of the voting power of all outstanding shares of capital stock entitled to be voted thereon, shall this Plan become effective.

Dated: April 17, 1969, as amended April 15, 1974, subject to stockholder approval.



